

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA

AMEMBASSY SAN SALVADOR

AMEMBASSY GUATEMALA

C O N F I D E N T I A L STATE 051005

FOLLOWING REPEATS BRASILIA 1521 ACTION DEPT INFO LONDON  
RIO DE JANEIRO SAO PAULO FEB 28TH

QUOTE

C O N F I D E N T I A L BRASILIA 1521

E.O.11652: GDS

TAGS: ETRD, EAGR, BR

SUBJECT: AMBASSADOR'S CONVERSATIONS ON COFFEE

REF: STATE 36609

1. SUMMARY: SEVERO GOMES, MINISTER OF INDUSTRY AND COMMERCE,  
TOLD AMBASSADOR FEBRUARY 25 GOB ATTACHED IMPORTANCE  
FORTHCOMING TALKS BETWEEN US OFFICIALS AND IBC PRESIDENT, WHO  
CAUTIOUSLY OPTIMISTIC ON PROSPECTS FOR NEW AGREEMENT. END  
SUMMARY.

2. IN DISCUSSION WITH AMBASSADOR, FEBRUARY 25, SEVERO GOMES,  
MINISTER OF INDUSTRY AND COMMERCE, SAID GOB PLEASED WITH  
CONVERSATION BOCA RATON BETWEEN JOHN INGERSOLL AND IBC PRESIDENT  
CALAZANS DE MAGALHAES. GOB NOW BELIEVE USG GENUINELY INTERESTED  
IN COFFEE AGREEMENT, LOOKS FORWARD TO DISCUSSIONS BETWEEN CALZANS  
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DE MAGALHAES AND DEPUTY ASSISTANT SECRETARY JULES KATZ NEXT MONTH.

GOMES INTIMATED THAT HE PERSONALLY MIGHT CONSIDER JOINING TALKS.

3. AMBASSADOR EXPRESSED SATISFACTION, SAID USG FOR ITS PART HAD NOT BEEN SURE GOB WISHED TO PROCEED WITH NEW AGREEMENT AT THIS TIME. GOMES REAFFIRMED GOB'S STRONG INTEREST. IN RESPONSE TO AMBASSADOR'S QUESTION ON BRAZIL'S EXPORT PROSPECTS, HE MADE CLEAR THAT GOB WAS SEEKING TO MAXIMIZE EXPORTS. (SIMILAR RESPONSE WAS GIVEN TO ECON COUNSELOR BY SOUTO MAIOR OF FOREIGN MINISTRY) WHILE SERIOUSLY INTERESTED IN NEW AGREEMENT, GOB WOULD NOT CURTAIL ITS EXPORT DRIVE NOW BEFORE AGREEMENT IS ACTUALLY REACHED: WERE GOB TO DO SO, IT WOULD ONLY WEAKEN ITS BARGAINING POSITION.)

4. IN RELATED DEVELOPMENT, DURING MEETING WITH CONGENRIO OFFICERS, WHO DELIVERED LETTER REFTTEL, CALAZENS DE MAGALHAES SAID HE EXPECTS TO VISIT US BEGINNING MID-MARCH, WOULD APPRECIATE OPPORTUNITY TO MEET WITH KATZ.

5. DISCUSSING RECENT MEETING AT BOCA RATON, CALAZANS CRITICIZED REPORTERS FOR MANNER IN WHICH THEY HAD REPORTED HIS PUBLIC INTERVIEW FOLLOWING PRODUCER MEETING. NEVERTHELESS, HE CONFIRMED TWO BASIC POINTS PUBLISHED BY THE PRESS: 1) HE DOES BELIEVE THAT EXCESSIVE CENTRAL AMERICAN EXPORTS RUINED PRODUCER ATTEMPTS TO SUPPORT INTERNATIONAL COFFEE PRICES, AND 2) IBC DISCOUNTS ARE APPROACHING AND MAY EXCEED COFFEE EXPORT TAX (QUOTA DE CONTRIBUICAO), IN WHICH CASE IBC MAY BE FORCED TO SUBSIDIZE COFFEE EXPORTS. HE ALSO EXPRESSED OPINION THAT SALVADOR MEETING SHOULD NOT HAVE BEEN CALLED UNTIL A CONSENSUS HAD BEEN REACHED AMONG PRODUCERS. HE IMPLIED, BUT DID NOT STATE DIRECTLY, THAT MEETING PRODUCED NO MEANINGFUL RESULTS. BRAZIL WOULD CONTINUE ITS EXPORT POLICIES, EXPECTING TO SHIP APPROXIMATELY 14.6 MILLION BAGS OF GREEN COFFEE DURING OCTOBER 1974-SEPTEMBER 1975 COFFEE YEAR.

6. ASKED ABOUT POSSIBILITIES FOR NEW ICA, CALAZANS EXPRESSED CAUTIOUS OPTIMISM. (CURRENT PRESS REPORTS CLAIM NEW ICA MAY BE CONCLUDED BY MID-YEAR. POSITIVE ATTITUDE BEING DEMONSTRATED BY USG AT LONDON MEETING IS CITED AS CONFIDENTIAL

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GROUNDWORK FOR THIS OPTIMISM.) BRAZIL, HE STATED UNHESITATINGLY, DESIRES A NEW ICA. HE BELIEVES AN AGREEMENT CAN BE REACHED FOR CREATION OF A BUFFER STOCK, TO GUARANTEE SUPPLY, IN RETURN FOR MORE STABLE INTERNATIONAL PRICES, BUT ADMITTED THAT HE WAS NOT COMMITTED TO ANY SPECIFIC FORMULA. RATHER, HE URGED THAT US AND BRAZIL, AS WORLD'S LARGEST CONSUMER AND PRODUCER, REACH MUTUALLY SATISFACTORY BILATERAL AGREEMENT. OTHER PRODUCERS AND CONSUMERS, HE FEELS, COULD SUBSEQUENTLY

BE INDUCED TO ACCEPT SUCH AN AGREEMENT AS BASIS FOR  
NEW ICA. (THE DESIRABILITY OF US-BRAZILIAN BILATERAL TALKS  
HAS ALSO BEEN A PERSISTENT THEME OF SOUTO MAIOR IN INFORMAL  
CONVERSATIONS WITH ECON COUNSELOR OVER PAST TWO MONTHS.)

7. COMMENT: CALAZANS DE MAGALHAES APPARENTLY HAS CONCLUDED  
THAT: 1) PRODUCERS CANNOT ACHIEVE AGREEMENT ON MEANINGFUL  
RETENTION SCHEME CAPABLE OF PROVIDING DESIRED IMPACT ON PRICES,  
AND 2) A NEW ICA IS BEST ALTERNATIVE FOR PROMOTING BRAZIL'S  
NATIONAL INTERESTS. PROJECTION OF ONLY 14.6 MILLION BAG  
EXPORT, ESPECIALLY WHEN COMBINED WITH DEPRESSED PRICES,  
UNDOUBTEDLY IS A STIMULUS FOR ACHIEVEMENT OF SOME MECHANISM  
FOR DISCIPLINING MARKET. MOREOVER, CALAZANS SEEMS TO HAVE  
DECIDED THAT MARKET WILL CONTINUE TO  
DETERIORATE UNLESS SOME MEANS IS FOUND TO STABILIZE THE  
TRADE.

8. DEPARTMENT ALSO NOTE AGATT UNCLASSIFIED REPORT CALAZANS DE  
MAGALHAES STATEMENT TO PRESS (AG REPORT BB 5010, FEBRUARY  
20, 1975).  
CRIMMINS  
UNQUOTE INGERSOLL

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